

## Appendix I

### Preparing Independent Government Estimates (IGE)

#### I.1 Overview

The Independent Government Estimate (IGE) is the Government's estimate of the resources and projected cost of the resources a contractor will incur in the performance of a contract. These include costs items such as labor, supplies, equipment, travel, transportation and some indirect costs such as material overhead. The data provided in the IGE Guide is not intended to cover every possible SITE Task Order, but rather explains elements of cost within the general context of their use. The IGE should include only those applicable to and developed from the PWS or SOO in describing the products and services to be acquired.

The IGE is developed by the customer (requiring activity) and used to establish a realistic price/cost for budget purposes. In addition, the Contracting Officer uses the IGE for technical and management information. The IGE is the baseline for evaluation of a realistic task order price/cost. Format and contents of the IGE will vary in accordance with the complexity and value of the requirement.

*NOTE: The IGE is a procurement sensitive document and should be handled accordingly. Access to the IGE shall be on a need to know basis.*

#### I.2 SITE IGE Process

The first consideration in developing the IGE is establishing a mind set as if the developers would be working in a commercial environment. Standards, practices, and procedures that are normally used by industry should be used as the basis for developing the IGE.

*Note: The IGE process has been simplified for SITE Task Orders since key aspects of the labor rates are already known and percentages for material handling fee markups are available.*

All requirements submitted to your supporting contracting office require an IGE.

For SITE, the IGE is determined using an Excel Workbook available from the SITE web-site. The workbook contains all the major elements required to calculate a SITE IGE. It includes a labor spreadsheet which has the appropriate labor rates by labor category and location of each contract year for estimation purposes, a set of ODC spreadsheets for capturing the most common types of ODCs such as travel, equipment, etc. (it can also be extended for other special ODC or cost requirements), and finally a top-level spreadsheet which summarizes all the costs associated with the proposed Task Order.

### **I.3 Determining a SITE Labor Estimate**

The projected labor costs for SITE Task Orders can be directly estimated since these costs have been negotiated as “fully loaded” rates (already includes the Contractor’s overhead, G&A, and fee costs). The negotiate labor rates are “not to be exceeded” for each year of the contract so the actual bid rates for any Task Order will not exceed these rates. For IGE purposes, although the specific negotiated rates for each SITE vendor differs, a consolidated estimate of costs of each labor category by location has been determined for each of the initial five negotiated contract years.

An Excel spreadsheet (available from the SITE web-site) provides Customers with the ability to enter their projected labor requirements by labor category and location. Labor estimates are entered in either man-hours or man-months as desired (when calculating labor years, multiply by 12 and enter as man-months). Currently, Task Order estimates for the first five years of labor for the basic IDIQ contracts be calculated using the spreadsheet.

### **I.4 Determining SITE Other Direct Costs (Price Estimates)**

The Other Direct Costs category provides an estimate of the types and quantity of material, equipment, and travel necessary for the contractor to perform the work you expect to accomplish. For work in non-US locations, consider relocation, housing and dependent tuition costs. These costs can be charged directly against the specific requirement. Item descriptions, quantities and related price estimates can be obtained using catalogs, price quotes, market surveys, historical data, etc. The emphasis in estimating other direct costs should be on accuracy of type and quantity.

The price estimate for ODCs must be “independently” developed based on a comparison and analysis of factors such as published catalogs prices, historical prices paid, market survey information, vendor price quotes, etc. The price estimate is not broken down into the various cost elements and depends more upon bottom line prices paid or available in the market place.

Typically, the Contracting Officer or specialist can help you research for “pricing” information. When developing the price estimate, focus should be placed on:

For equipment and materials pricing:

- Prices and quotes found in published or current catalog prices
- Previous prices and quantity purchased
- Quantity of items to be purchased
- Market Surveys and other miscellaneous source of pricing data

For calculating travel, use the published Government travel rates for the projected locations of travel for the first year—the spreadsheet will add an inflation factor for the options years (if used).

For calculating non-US relocations, ceiling costs (per one-way move) have been negotiated for each SITE vendor.

## **I.5 Determining SITE Indirect Costs**

### **Indirect (Overhead) Costs**

Overhead costs are already included in the labor estimates and projected within the percentage markup estimates used in the SITE IGE spreadsheet for ODCs.

### **General & Administrative (G&A) Costs**

G&A costs are already included in the labor estimates and projected within the percentage markup estimates using in the IGE spreadsheet for ODCs.

### **Profit/Fee**

Profit or fee is already included in the contract labor rates of the IGE workbook. Profit/fee is excluded from ODC since ODCs are cost reimbursable and profit is not allowable.

When using incentive/award fee arrangements, fee is a negotiable cost element. For the purposes of incentive/award fee arrangements, estimators may utilize the IGE worksheets as a basis for task order estimates; but, giving proper consideration to profit adjustment formulas, targets, incentives, performance criteria and award fees pursuant regulatory requirements and internal procedures.

## **I.6 Escalation Considerations for the IGE**

The impact of inflation should be considered when developing your IGE. For labor costs, this is already included in the “loaded” prices of the awarded base year and 4 option years.

To forecast other option year(s) costs, appropriate escalation factors are applied to the previous cost elements to bring it them up to a realistic value. If the task order performance involves more than one year, different escalation factors may be applied dependent on the labor/material mix as appropriate.

## **I.7 Summary**

An IGE is required for every new SITE acquisition that exceeds the simplified acquisition threshold. A subject matter expert should independently prepare it. Do not base the IGE on a contractors cost/price estimate.

When including commercial items as ODCs, the estimator should research past price history and make adjustments for any changes in specifications, quantities or inflation factors. For items that do not have a detailed pricing history it may be necessary to do a detailed analysis of individual cost elements.

With a little diligence, you can provide an accurate estimate of these costs. By reviewing the work specification you can determine the labor categories and effort required plus equipment, materials, and other direct costs plus overhead to perform the operation.

A brief narrative of how the costs were developed and what reference material was used should be provided with the completed IGE along with name, title, and signature of the estimator and an approving official.

## Attachment I.1

### Assumptions When Preparing Your IGE (Provide with the IGE)

Preparation Instructions:

**Assumptions Used:** Identify any and all assumptions and methodologies used in cost computations.

**Basis for Cost Estimates:** Specify the item, the basis for the factor used and the source of the data used in preparing the IGE.

Item	Basis	Sources
I.		
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2.		
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**Other Project Information:** Identify any other information which may be necessary or helpful in the proper evaluation of the cost estimates; i.e., Statements of Objectives (SOO), etc.